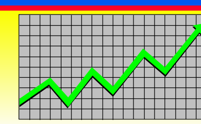
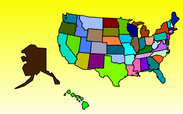
Minerals Management Service

1982–1997: 15 Years of Excellence

National Benefits

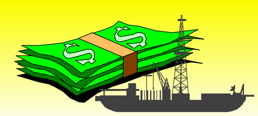


State and Local Benefits

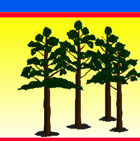


Partnership with Tribes

MMS Programs



MMS and the Environment



MMS Today

U.S. Department of the Interior

MMS VISION:

To be recognized as the best minerals resource manager

The Secretary of the Interior established the Minerals Management Service in 1982 following the Independent Commission on Fiscal Accountability's recommendation that proper fiscal accountability and management of the public's mineral resources would be best served by an agency devoted solely to minerals management. The MMS mission is to manage the mineral resources on the Outer Continental Shelf (OCS) in an environmentally sound and safe manner and to collect, verify, and distribute, in a timely fashion, mineral revenues from Federal (onshore and offshore) and Indian lands.

A Message from our Director

This year marks the 15th anniversary of the founding of MMS. This event coincides with the 50th anniversary of offshore development, making this an ideal time to review our accomplishments and outline our plans for the future.

A hallmark of the agency has been its ability to evolve in response to changing economic and business climates. Perhaps the best description of our experience, especially during the last four years, would be learning to maintain high standards of customer service while creating quality products. Declining budgets have challenged us to become more efficient. We have met this challenge with an enthusiastic response throughout the agency. At the same time, the quality of our service has improved while the costs to taxpayers are less.

The Royalty Management Program (RMP) has matured from a collection agency to a world-class financial manager. In the spirit of our ***Plain English*** initiative, for example, MMS has simplified its rules. The RMP administers revenues for nearly 20,000 individual allottees and 34 mineral-producing tribes and Federal offshore and onshore leases. There are about 65,000 producing and nonproducing Federal and Indian natural gas and oil leases, and, in recent years, RMP has distributed about $4 billion annually to states, tribes, allottees, the U.S. Treasury, and other Federal agencies.

Other areas where RMP has shown both excellence and efficiency are the Four Corners Indian Trust Services pilot program, developing revised Federal and Indian valuation negotiated rulemakings, network links to states and tribes, implementing the Federal Oil and Gas Royalty Simplification and Fairness Act, and alternative dispute resolution techniques. However, the most significant improvements benefitting our royalty constituents are revised policies that simplify reporting and payments and speed the flow of revenue to our customers. The RMP has begun a Program Reengineering effort with the ultimate goal of further improving and simplifying our business processes and to better ensure compliance.

The Offshore Minerals Management (OMM) Program, once purely process-driven has grown into a dynamic resource manager. With near-record production of offshore natural gas and rising production of offshore oil, revenue is increasing. Over the past several years, the OMM has moved to a more focused leasing program with a concentrated emphasis on the safe and environmentally sound development of about 6,500 leases and has redirected critical resources to respond to the unique requirements among the Alaska, Gulf of Mexico, and Pacific regions.

Nothing reflects this change of fortune more than the results of Sale 166 in the Central Gulf of Mexico. On March 5, the MMS held a record breaking sale of offshore oil and natural gas leases attracting over $824 million in high bids from 81 companies. The sale was indicative of other trends for MMS and the offshore industry with more than half of the leases receiving bids in deep water.

I'm proud of the tremendous progress we've made throughout MMS. I hope you enjoy reading about our varied programs and our continuing efforts to bust the [redacted] on our 15 years of excellence.

MMS Milestones 1982–1997

1982

- MMS is created and becomes a bureau of the Department of the Interior.
- Federal Oil and Gas Royalty Management Act is passed establishing the framework to improve management of Federal and Indian mineral royalties.
- The initial 5-year leasing program is revised introducing the areawide leasing concept.
- Bonus bids over $2 billion in Alaska OCS lease sale 71 in the Beaufort Sea.

1983

- Record for number of lease sales in a year is tied at 8 sales.
- Greatest high bid dollar amount received in a lease sale ($3,469,214,969 in Central Gulf of Mexico sale 72).
- President signs Proclamation 5030 (3 CFR 22) setting the U.S. Exclusive Economic Zone (EEZ). The EEZ is the area contiguous to the territorial sea of the United States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the U.S. Overseas territories and possessions and extending 200 nautical miles from the coastline.

1984

- Total royalty collections including rents and bonuses $7.7 billion.
- National Fishing Enhancement Act passed encouraging using offshore platforms as artificial reefs.
- Most tracts offered at a lease sale (8,868 tracts in Eastern Gulf of Mexico sale 79).
- Record number of exploratory wells drilled in a year (597).
- Record number of platform installations in a year (229).
- Focused leasing concept introduced allowing the deletion of low-interest, environmentally sensitive acreage from sale areas early in the lease sale process.

1985

- Eight States sign cooperative audit agreements with MMS.
- The Navajo Nation signed a cooperative agreement with the MMS, becoming the first Indian tribe with authority to audit their revenues from mineral production.
- The Secretary charters the Royalty Management Advisory Committee.
- The Royalty Management Program's Production Accounting and Auditing System becomes operational.
- OCS Lands Act Amendments to Section 8(g) are passed.
- Well drilled farthest from shore (965 km, or 603 miles, in Navarin Basin, AK, Block 673, by ARCO, Inc.).

1986

- Deepest well drilled (7,620 meters, or 25,000 feet, in the Central Gulf of Mexico, Viosca Knoll, Block 117, by Apache Corporation).
- Total royalty collections including rents and bonuses $4.2 billion.
- The State and Tribal Support System is established linking States and Indian tribes receiving mineral revenues with the Royalty Management Program's computerized systems.

MMS Milestones 1982–1997

1987

- The Bureau of Indian Affairs/Bureau of Land Management/MMS Joint Steering Committee established by the Department of the Interior to integrate Federal and Indian lease and royalty management programs.

1988

- Congress enacts first OCS drilling ban in the Eastern Gulf of Mexico, south of the 26th parallel.
- Lease in deepest water (3,335 meters, or 10,942 feet, in the Eastern Gulf of Mexico, lease sale 116, Lloyd Ridge, Block 737, by Kerr-McGee Corporation.
- Final oil and gas valuation regulations published.
- All companies with monthly royalty payments of $10,000 or more converted to electronic fund transfer.

1989

- Most bids received on a block (15 in Western Gulf of Mexico lease sale 122, in Galveston, TX, Block 313).
- Final coal valuation regulations published.
- Completed conversion of all onshore oil and gas lease production accounting to MMS.

1990

- Amendments to Clean Air Act passed giving the Environmental Protection Agency jurisdiction for OCS facilities outside Central and Western Gulf of Mexico.
- Oil Pollution Act of 1990 is passed giving the Secretary of the Interior authority over offshore facilities and associated pipelines, with the exception of deep-water ports, for State and Federal waters. Section 6003 contained moratorium language for areas offshore North Carolina.
- Most natural gas produced in a year, 5.09 trillion cubic feet of gas.
- Royalty Management Program's 5-Year Strategic Plan for Operations and Systems, developed in partnership with constituents is published.

1991

- The President's Council on Management Improvement presented the Royalty Management Program with an Award for Management Excellence.
- Deepest producing natural gas well (6,587 meters, or 21,612 feet, in the Gulf of Mexico, Well A001, Lease OCS-G 5058, Mobile Block 821, by BP Exploration, Incorporated).

1992

- Secretary of the Interior delegates Oil Pollution Act of 1990 authority to MMS.
- Contemporaneous Audit Initiative completed. Departmental effort to establish timely audit completions on a more contemporaneous basis.

MMS Milestones 1982–1997

1993

- Most platform removals in a year (182).
- Royalty Management Program named a Quality Improvement Prototype Award Finalist by President's Council on Management Improvement and Federal Quality Institute.

1994

- The Indian Minerals Steering Committee is created to improve communications among the Bureau of Indian Affairs, the Bureau of Land Management, MMS, tribes, and allottees.
- MMS collects more than $255 million through Royalty Management Program compliance efforts bringing total to more than $1.2 billion

1995

- Deep Water Royalty Relief Act is passed expanding MMS authority to grant royalty relief.
- MMS initiates a pilot project to collect offshore natural gas royalties in kind.
- Secretary charters the Royalty Policy Committee to provide advice on the procedures and policies for collecting royalties on Federal and Indian leases.
- Royalty Management Program successfully concludes Electronic Data Interchange pilot project.

1996

- Oil Pollution Act of 1990 (OPA-90) Amendments are passed.
- Congress repeals Section 6003 of OPA-90 ending North Carolina offshore moratorium.
- The Federal Oil and Gas Royalty Simplification and Fairness Act enacted to improve and streamline the Federal royalty program.
- MMS eliminates most allowance forms for oil, natural gas, and coal produced from Federal leases.
- Interagency team completes study of California oil valuation, MMS pursues millions in California offshore crude oil underpayments.
- Well drilled in deepest water (world record well at 2,324 meters, or 7,625 feet, BAHA Prospect in Western Gulf of Mexico, Alaminos Canyon 600, Shell/Amoco/Mobil/Texaco).
- Deepest well drilled from a semi-submersible at 7,712 meters (25,450 feet) TVD, in 325 meters (1,075 feet) of water in Central Gulf of Mexico, Green Canyon 142.

1997

- Most tracts bids on at a lease sale (1,032 tracts for Central Gulf of Mexico lease sale 166).
- MMS begins paying interest to companies on overpayments of royalties on Federal oil and natural gas leases.
- Most bids received at a lease sale (1,790 bids for Central Gulf of Mexico lease sale 166).
- MMS begins special royalty internship training programs for Indian Tribal employees.

Federal onshore and offshore (OCS) mineral leases generate about $4 billion in annual revenues. They are one of the Federal government's greatest sources of non-tax revenue.

- $3 billion per year, on average, is collected and distributed by MMS in bonuses, rents, and royalties from ***offshore*** (OCS) mineral leases.

  This effort provides about—

  - $2 billion per year to the Federal Treasury and to State treasuries.
  - $1 billion per year to the Land and Water Conservation Fund and the National Historic Preservation Fund.

- $1 billion per year, on average, is collected and distributed by MMS in bonuses, rents, and royalties from ***onshore*** mineral leases, of which about $500 million is distributed to States, tribes, and Indian allottees. The remainder is distributed to the Federal Treasury and the Reclamation Fund.

- In Fiscal Year (FY) 1996, MMS distributed over $4.9 billion ($3.6 billion from OCS activities and $1.3 billion from Federal onshore and Indian activities).

- $86 billion has been distributed by MMS to the Federal Treasury, States, tribes and Indian allottees from mineral activities on Federal lands since 1982; or roughly—

  - $54 billion (63%) to the Federal Treasury.
  - $20 billion (24%) to the Land Water Conservation, National Historic Preservation, and the Reclamation Funds.
  - $9.5 billion (11%) to 38 States, from both onshore and offshore sources.
  - $2.2 billion (2.6%) to 29 Indian tribes and 20,000 Indian allottees.

The OCS has played, and will continue to play, a significant role in our Nation's energy picture.

- On a per-day basis, the OCS currently produces about 13 billion cubic feet of natural gas and more than 1 million barrels of oil, which currently accounts for 25% of the Natic domestic natural gas production and about 15% of its domestic oil production.

- By the year 2000, MMS estimates an increase in oil product to as much as 1.9 million barrels per day. Natural gas production is projected to remain steady or increase to as much as 17.2 billion cubic feet of gas per day.

- About 70% (on a BTU basis) of the energy currently produ offshore is natural gas—an environmentally preferred fue

- The OCS contains about 19% of the Nation's proved natu gas reserves and 15% of its proved oil reserves.

- The OCS is estimated to contain more than 50% of the Nation's remaining undiscovered natural gas and oil resources.

- To date, the OCS has produced about 120 trillion cubic fee natural gas and about 11 billion barrels of oil.

- The Federal OCS provides the bulk—about 89%—of all U.S offshore production. Five coastal States—Alaska, Alabam California, Louisiana and Texas—make up the remaining 11%.

Just about everyone benefits from MMS programs.

The majority of OCS revenues go into the Federal Treasury, where they help pay for Federal programs and reduce the deficit. Also, a portion of those revenues goes into two special-purpose accounts:

- **The Land and Water Conservation Fund (LWCF)**

  - The LWCF is a two-pronged program. First, it is a 50/50 matching grant program that provides monies to States and Territories (and, through the State, to local units of government) for the acquisition and development of public outdoor recreation areas and facilities. Second, LWCF monies contribute to the purchase of Federal park and recreation lands.
  - **The OCS natural gas and oil program provides about 90% of the monies that fund the LWCF.**
  - Through FY 1996, almost $9 billion has been appropriated from the LWCF to purchase Federal park and recreation lands.
  - Through FY 1996, the LWCF State Grant Program has funded more than 37,000 park and recreation projects, with a total Federal investment of about $3.36 billion.

- **The National Historic Preservation Fund (NHPF)**

  - The NHPF is a 50/50 matching grant program that provides grants to States and Territories (and, through the State, to local governments) for historic preservation purposes, including, identification and nomination of properties to the National Register of Historic Places; protection of listed properties; and establishment of rehabilitation standards for properties.
  - **The NHPF receives all of its funding—$150 million per year—from the OCS natural gas and oil program.** Since 1969, over $617 million has been spent from the NHPF for State projects.

Cumulative Totals to States from the LWCF and the NHPF {in millions}

Alabama	**$87.4**
Alaska	**$73.5**
Arizona	**$95.5**
Arkansas	**$141.7**
California	**$1.17 billion**
Colorado	**$105.8**
Connecticut	**$77.3**
Delaware	**$36.4**
Florida	**$483.6**
Georgia	**$201.6**
Hawaii	**$77.9**
Idaho	**$110.2**
Illinois	**$165.9**
Indiana	**$156.2**
Iowa	**$57.9**
Kansas	**$49.5**
Kentucky	**$67.1**
Louisiana	**$159.0**
Maine	**$72.7**
Maryland	**$159.2**
Massachusetts	**$158.5**
Michigan	**$252.8**
Minnesota	**$159.9**
Mississippi	**$92.7**
Missouri	**$102.1**
Montana	**$65.5**
Nebraska	**$46.9**
Nevada	**$140.9**
New Hampshire	**$53.9**
New Jersey	**$209.1**
New Mexico	**$63.7**
New York	**$259.8**
North Carolina	**$170.8**
North Dakota	**$35.4**
Ohio	**$256.1**
Oklahoma	**$60.2**
Oregon	**$141.9**
Pennsylvania	**$269.3**
Rhode Island	**$48.7**
South Carolina	**$153.8**
South Dakota	**$41.2**
Tennessee	**$83.2**
Texas	**$369.1**
Utah	**$58.9**
Vermont	**$73.1**
Virgina	**$212.6**
Washington	**$220.0**
West Virginia	**$123.6**
Wisconsin	**$115.9**
Wyoming	**$74.9**

Note: Totals include: 1) LWCF grants to States; 2) LWCF Federal acquisitions; a
3) NHPF grants. Cumulative totals are through FY 1995.

States affected by Federal leasing and development share in the revenues generated from those activities.

- ### Federal Onshore Mineral Leases

  - Under the Mineral Leasing Act (MLA), States whose boundaries encompass Federal mineral leases are entitled to receive a portion of the revenues generated from those leases.

  - The amount a State receives can vary by land category. Generally, States receive half of all bonuses, rents and royalties collected from public lands located within their respective borders.[1]

  - MLA monies are used as the States deem necessary, without Federal restrictions. Oftentimes the monies are used for schools, roads, public buildings, or general operations.

  - In FY 1996, MMS distributed $501 million in shared onshore mineral receipts.

  - In total, MMS has distributed about $9.75 billion in shared onshore mineral receipts.

- ### Offshore section 8(g) Natural Gas and Oil Leases

  - 1986 amendments to section 8(g) of the OCS Lands Act mandated the Federal government to share prospectively with affected coastal states 27% of revenues generated from leasing and development of natural gas and oil resources in the "8(g)" zone. This zone is a three-mile wide band of Federal water located directly adjacent to a State's seaward boundary. The amendments also mandated that a one-time payment to certain coastal States from funds held in escrow and that another specified payment be made to these same coastal States in installments over 15 years beginning in FY 1987.

  - Currently, seven coastal States receive monies under the section 8(g) provisions of the OCS Land Act.

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[1] Under the MLA, the State of Alaska receives 90% of all such revenue. Further, the State of Alaska receives 50% of all mineral revenues generated from the National Petroleum Reserve.

- Through 1996, these States have received almost $2.5 billior

  - Alabama .... $105.3 million
  - Alaska .... $446.1 million
  - California .... $514.1 million
  - Florida .... $2.4 million
  - Louisiana .... $802.4 million
  - Mississippi .... $16.0 million
  - Texas .... $596.9 million

Indian tribes and allottees benefit from MMS programs.

All of the mineral revenues generated from the leasing and production of Indian lands go directly to those tribes or Indian allottees. MMS, along with the Bureau of Indian Affairs (BIA), provides services that help fulfill the Secretary's trust responsibility to the Indian minerals community—

- MMS collects, verifies, and distributes mineral revenues and supporting data to Native American mineral lessors from almost 8,000 Indian leases.

- To date, MMS has distributed about $3.2 billion to 29 Indian tribes and over 20,000 allottees.

- MMS staffs three service-oriented Offices of Indian Royalty Assistance near Indian tribes and allottees to serve their needs. These offices are located in Farmington, New Mexico; Oklahoma City, Oklahoma; and Denver, Colorado. To improve service to Indian customers, MMS, Bureau of Land Management (BLM), and BIA are coordinating a "one-stop shopping" approach to Indian mineral services in a two-year pilot program in the Farmington, New Mexico, office.

- Indian tribes are actively involved in MMS royalty collection activities—currently, MMS contracts with seven tribes to assist the agency in auditing Indian mineral leases. Participating Indian Tribes include: Blackfeet, Jicarilla Apache, Navajo Nation, Shoshone and Arapaho, Southern Ute, Ute, and Ute Mountain Ute. In fiscal year 1996, MMS spent about $1.5 million to fund these cooperative audit efforts.

Principal Indian Tribes Served by the Minerals Management Service

- Alabama-Coushatta
- Arapaho
- Assiniboine Sioux
- Blackfeet
- Caddo
- Cherokee
- Cheyenne-Arapaho
- Chickasaw
- Chilocco Indian School
- Chippewa-Cree
- Choctaw
- Colorado River
- Cook Inlet Region, Inc.
- Creek
- Creek-Thlopthlocco
- Crow
- Delaware
- Ft. Mohave
- Gila River Indian Community
- Hopi
- Jicarilla Apache
- Morongo Band Mission Indiar
- Navajo
- Pala Band Mission Indians
- Pawnee
- Ponca
- Pueblo of Sandia
- Pueblo of San Ildefonso
- Pueblo of Zia
- Pyramid Lake Paiute
- Quechan
- Sac and Fox
- Salt River-Pima Maricopa
- Santa Ana Pueblo
- Seminole
- Shoshone
- Shoshone Bannock
- Soboba Band Mission Indians
- Southern Ute
- Tohono O'Odham
- Ute
- Ute Mountain Ute
- Wichita

**MMS is composed of two specialized programs—
the Royalty Management Program and
the Offshore Minerals Management Program.**

- All mineral revenue management functions are centralized in MMS within the *Royalty Management Program*, affording economies of scale and an integrated process for collecting, accounting for, and distributing revenues generated from Federal and Indian lands.

- The leasing and oversight of mineral operations on the Nation's OCS is centralized in MMS within the *Offshore Minerals Management Program* to ensure top-level management to this important program.

The RMP, headquartered in Washington, D.C., has its primary operations in Denver, Colorado, and field offices in Texas, Oklahoma, and New Mexico. With sophisticated computerized accounting systems RMP processes more than 200,000 transactions each month—approximately $300 million/month—from nearly 100,000 Federal and Indian leases. The RMP's role, however, goes beyond receiving and distributing funds. In order to administer its minerals revenue functions fairly and efficiently and to ensure the American people a fair return on the minerals produced on public lands, the RMP—

- **Conducts an extensive compliance (audit) program that has collected more than $1.5 billion since its inception.** In addition to its own audit staff, including permanent audit sites at 11 major oil companies, RMP has contracts with ten States and seven Indian tribes to conduct Federally-funded audits. These states include California, Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas, Utah, and Wyoming. In fiscal year 1996, MMS spent about $4.6 million to fund State audit efforts and $1.5 million to fund Indian tribal audit efforts.

- **Develops, through extensive public processes, regulations necessary to implement royalty management legislation** such as the Tribal Lands Leasing Act; the Mineral Leasing Act; the Federal Oil and Gas Royalty Management Act; and the recently enacted Federal Oil and Gas Royalty Simplification and Fairness Act.

- **Coordinates its mineral revenue collection activities with the relevant agencies responsible for oversight and regulation of mineral development and production**. These include the Bureau of Land Management and the U.S. Forest Service, as well as states, Bureau of Indian Affairs, Indian tribes and allottees, and the MMS Offshore Minerals Management Program.

- **Establishes standards and procedures for determining the fair market value of minerals**. These include natural gas, crude oil, coal, uranium, phosphate, potash, and zinc, as well as geothermal resources.

- **Trains payors to ensure that they know how to calculate their royalty payments and remit the amounts owed with correctly completed royalty payment forms.** In 1996, the reporting error rate was down to about 2%.

- **Processes financial and production data submitted by companies** through computer systems that contain automated edits to assure the data's reasonab ness and its internal consistency with information on file.

- **Disburses on a monthly basis monies collected** to various U.S. Treasury accounts, State and county governments, and Indian Tribes and allottees.

Offshore Minerals Management (OMM) Program Functions

The OMM program is headquartered in Washington, D.C., with regional offices located in Alaska, California, and Louisiana. The program is responsible for all phases of OCS mineral resource management—from the initial offering of OCS lands for lease through the regulation of mineral development and lease abandonment activities. To manage OCS mineral resources (natural gas, oil, and hard minerals such as sand and gravel), the OMM carries out a wide array of functions, such as:

- **Analyzing geologic, geophysical, and other geo-scientific data to support OCS program decisions including:**
  - Periodically assessing the nature and extent of undiscovered OCS natural gas and oil resources;
  - Estimating current discovered natural gas and oil reserves by fields;
  - Developing overall resource estimates for proposed OCS lease sales; and
  - Determining specific values for individual tracts offered for lease to ensure "fair market value" for OCS mineral rights.
- **Assessing the likely effects of OCS activities on the marine, coastal, cultural, and human environments, including:**
  - Rigorous environmental assessment of each proposed lease sale and of all proposed OCS exploration and production activities. This entails preparing Environmental Impact Statements, or other environmental analyses.
- **Conducting research specific to issues associated with OCS mineral leasing and development.**
  - The *Environmental Studies Program* assesses the potential environmental risks of offshore development and provides information necessary to minimize any adverse risks;
  - The *Oil Spill Research Program* provides information on oil spill response capabilities and conducts studies on spilled oil and its effects on the marine environment; and

- The *Technology Assessment and Research Program* investigates and assesses safety-related technologies. The results support the technology basis for MMS's permitting of drilling and production operations as well as other regulatory requirements.

- **Developing and implementing natural gas and oil leasing programs to achie national economic and energy policy goals while protecting the environme including:**

  - Developing OCS 5-year natural gas and oil leasing plans that, among othe things, lay out a schedule of proposed lease sales in OCS areas. MMS has developed four such plans. The current approved plan covers the timefra 1997-2002; and

  - Conducting individual natural gas and oil lease sales. MMS has held 49 le sales.

- **Regulating all exploration, development, and production activities on over 6,500 active leases to ensure that these activities are conducted safely and in environmentally sound manner, including:**

  - Reviewing industry exploration and development plans before allowing industry to implement them; and

  - Monitoring all lease operations to ensure that industry is in compliance wi relevant requirements. This includes conducting scheduled and unschedu inspections. In 1996, MMS conducted approximately 11,500 inspections o OCS facilities.

- **Evaluating the potential of the OCS as a domestic supply source for marine minerals.** MMS has developed cooperative projects with States to supply OCS sand and gravel for beach restoration. MMS currently has ten such projects ongoing. In addition, MMS is involved in three cooperative efforts with States study developing other marine minerals such as aggregates, phosphorite, and manganese.

- **Providing scientific information and technical assistance (on a cost-reimbursable basis) to other nations regarding offshore mineral leasing, development, environmental protection, and mineral revenue managemer**

OCS Leasing and Development — Environmental Considerations

While developing OCS mineral resources has already meant more than $110 billion in revenues to the United States, MMS remains especially mindful of safety and environmental concerns—striving for the proper balance between providing a domestic energy source for the American people and protecting sensitive coastal and marine environments.

- **MMS places a high priority on environmental, oil spill, and safety-related research and has devoted significant funding to it.** This research gives MMS the most up-to-date and relevant data about the effects of OCS activities on the marine, coastal, and human environments.

  - Between 1973 and 1996, the Environmental Studies Program (ESP) has spent over $620 million and completed over 800 research projects. These studies encompass biological, physical oceanographic, ecological, and socioeconomic issues associated with offshore mineral leasing and development.

    MMS has established Coastal Management Institutes (CMI's) in Alaska, California, and Louisiana. Through them, MMS can leverage some of its ESP funds with state funds. This funding helps both MMS and the states address scientific needs regarding the impacts of OCS leasing and development. To date, more than 60 research projects have been initiated, representing more than $23 million in research, on a 50/50 matching basis.

  - MMS is one of the Federal government's leading agencies for oil spill research. On average, the agency spends more than $6 million per year on research into oil spill prediction, prevention, and response technologies.

  - MMS also spends about $1 million per year to manage the National Oil Spill Response Test Facility (OHMSETT), a unique facility that evaluates full-scale oil spill cleanup equipment technologies under various conditions and using various types of oil.

- **MMS incorporates sound science into its OCS decision-making and makes that information available to interested parties.**

In 1994 and 1996, the agency received the President's Council on Environmental Quality and National Association of Environmental Professional's Federal Environmental Quality Award for successfully integrating environmental values into its agency mission and decision-making.

- The National Environmental Policy Act (NEPA) and other environmental mandates are fully coordinated and enforced for all MMS leasing/development activities—

  - All ESP information can be accessed on-line through the ESP Information Syste (ESPIS). ESPIS makes the results of more than 20 years of scientific research availa through the MMS Internet Home Page.

  - Also, more than 232 abstracts of offshore engineering and safety-related resear as well as oil spill research, are available on-line.

Fifteen Years of Progress

Although MMS is a relatively young agency, it has changed dramatically over the years. Early on, the agency instituted sound mineral accounting and auditing practices to collect mineral royalties and to move the OCS program from confronting to consulting and cooperating with affected states. These actions have restored credibility and confidence to these important programs.

In more recent years, MMS has sought to conduct its business more efficiently while adhering to its basic mission and principles. MMS seeks to set the standard for other resource management agencies by being "the best in the business."

However, MMS will not be satisfied with the status quo and will become more efficient and effective in its work, improve its service to the regulated community and the public, and treat its constituencies as partners in decisions that could affect them.

MMS's record of achievement has earned it important recognition, including —

- **1991: Award of Excellence from the President's Council on Management Improvement**
- **1993: Finalist, Federal Quality Institute's Quality Improvement Prototype Award**
- **1994: Finalist, Federal Quality Institute's Quality Improvement Prototype Award**
- **1994: Federal Environmental Quality Award from the President's Council on Environmental Quality and National Association of Environmental Professionals**
- **1995: Vice President's Hammer Award**
- **1996: Federal Environmental Quality Award from the President's Council on Environmental Quality and the National Association of Environmental Professionals**

Royalty Management Program (RMP) Highlights

The Federal government has been collecting mineral revenues from production on Federal onsh lands since 1920, and from offshore lands since 1953. However, only in 1982, with the enactm of the Federal Oil and Gas Royalty Management Act, did the Federal government put in plac comprehensive system for collecting, accounting for, and distributing these revenues. Since 19 MMS has developed systems, policies, and procedures to respond to the mandates in the Act as w as the expectations of its constituencies and numerous oversight organizations. In the last f years, MMS has reengineered its many royalty management processes to make them m responsive to the minerals community.

- **Simplifying royalty processes and procedures.** For example, MMS has—

  - Discontinued assessing companies for certain late or erroneous royalty and production reports. This approach has reduced RMP administrative costs and has redu about 35% of the appeals related to those assessments.

  - Removed a substantial reporting burden on industry by eliminating most allowance for filing requirements. In 1996, MMS published a final rule amending natural gas, oil, and c valuation regulations to streamline these filing requirements and to change associated penalties.

  - Worked with the Royalty Policy Committee (RPC) to provide input from affected parties policy questions. The RPC includes representatives of States, tribes, Indian allottees, indus Federal agencies, and the public. This Committee has made recommendations on roya reporting, production accounting, and audit issues.

  - Completed a two-year project to expand the RMP-dedicated wide-area computer networl the 17 state and Indian tribal sites that have audit agreements with MMS. MMS provid equipment, installation support, and extensive training on RMP systems and applicatior This allows state and tribal auditors to retrieve royalty revenue data faster and exchan information with RMP staff more completely.

  - Installed a client-server computer application system, a powerful and simple tool to enhance access to RMP data. MMS staff, state and Indian customers can now access u to six years of mineral revenue data and all lease information on RMP databases.

- **Pursuing potential underpayments of royalties on Federal crude oil produced in and offshore California since 1980.** MMS has focused its efforts on the 20 largest payors, which together account for nearly 97% of California's Federal production.

  - **Pursuing potential underpayments of royalties on Federal crude oil produced nationwide.** The current 5-year audit plan targets 126 companies and provides 86% coverage of the oil revenues for the 1991-1995 period.

  - **Pursuing collection of royalties due on contract settlements.**

  - **Implementing a multi-constituent team approach to resolve royalty issues in controversial areas.** For example: the Federal and Indian Gas Valuation Committee is negotiating a rulemaking with industry, States, and Indian community representatives. MMS is working with the State and Indian representatives to develop and publish a proposed rule on Federal and Indian oil valuation.

  - **Offering a variety of electronic reporting and payment options to customers.** The goal is to receive 100% of incoming reports electronically. MMS expects to save over $1 million when this is fully implemented.

Future RMP Challenges and Opportunities

- **Federal Oil and Gas Royalty Simplification and Fairness Act (RSFA)**

  - The RSFA was enacted in August 1996. This Act will significantly impact how MMS manages mineral revenues and interacts with State and industry. MMS is committed to implementing the RSFA within the timeframes set by law and to being the organization that its State and Indian customers would choose to hire.

    - The Act provides:

      - The framework for additional delegations of certain royalty functions to States, subject to Secretarial discretion;

      - Certainty for royalty payors with a seven-year statute of limitations for all royalty collections, limitations on industry liability, and a 33-month limit on all administrative appeals;

      - Equity by requiring payment of interest on overpayments;

      - Assurance of cost-effective audit and collection activities;

- Continued gas and oil production from marginal properties by encouraging it; ar

- Streamlined adjustment procedures and repeals outdated offshore refund requirements.

Other Challenges and Opportunities

- **RMP Re-Engineering Project:** During 1997, MMS will evaluate strategies to ensure tha mineral lease revenues are paid on time and accurately. To that end, MMS created a Progr Reengineering Office to:

    - Implement systems and operational changes related to the RSFA;

    - Evaluate royalty management processes and automated systems for the future;

    - Develop of the best and most cost-effective operational strategies and organizatio structures for the future; and

    - Implement of short- and long-term systems and process changes.

- **State Benchmarking Study:** MMS is inventorying, describing, and analyzing the functic royalty management functions and costs of four States from leases on their lands to iden state "best practices" for potential adoption by MMS.

- **Revising natural gas and crude oil valuation regulations on Federal and Indian lands:** MMS is revising how it calculates the value of these two products in order to respond flexi to market conditions while ensuring a fair return on the public's resources. MMS has scheduled final rules for both products for 1997.

- **Implementing the Royalty Policy Committee's (RPC) recommendations:** Formed in 1995, the RPC advises the Secretary of the Interior. The committee members have forn eight specialized subcommittees to recommend major policy changes or improved RMI procedures.

The Federal OCS program has been active since 1953. During that time, the program has changed dramatically in response to changing technology, national energy priorities, and environmental considerations. Today, the OCS program has matured into a more focused leasing program, with emphasis on the safe and sound development of about 6,500 existing leases. Recent achievements include:

- **Designing a consensus-based OCS 5-Year Oil and Natural Gas Program for the years 1997-2002 to help meet the Nation's energy needs.**

- **Managing the safe and environmentally sound development of offshore resources on about 6,500 leases on the Gulf of Mexico OCS.** Bidding on leases has jumped by more than 155% from 1993 to 1996 due to strong industry interest in OCS natural gas and oil leasing in the region. During the same period, production rates have risen more than 16% to 1.2 million barrels per day.

- **Doubling oil production to almost 200,000 barrels per day in 1996 from existing Pacific region leases since 1985.** This is partly due to the extensive involvement of local constituents and the Tri-County Forum where MMS, the State, and local governments work together to address and resolve issues related to developing existing OCS leases.

- **Reengineering the regulatory program to be more performance-based and less prescriptive.** Through its voluntary Safety and Environmental Management Program (SEMP), MMS is collaborating with industry to develop and refine program standards and performance measures for company-specific SEMP plans that will better facilitate innovation while still ensuring safety and environmental protection.

- **Streamlining the EIS process** so that documents will be shorter and more readable yet contain enough information for MMS to make informed environmental decisions. MMS will use this new procedure for all EIS's beginning in 1997.

- **Granting royalty relief where appropriate,** in order to provide an economic incentive to ensure continued production on older leases and maintain the stream of royalty revenues to the Federal Treasury.

- **Developing regulations to implement OCS deep water royalty relief legislation** as it applies to both new and existing leases in the deep waters of the Gulf of Mexico. In part, deep water incentives helped contribute to highly successful OCS lease sales in the Gulf of Mexico in 1996. A record number of tracts were leased in both the Central and Western Gulf of Mexico sales—about 1,500 leases were issued, with bonus bids of about $1 billion.

- **Revising existing regulations related to bidding systems for new leases** that will give the Secretary of the Interior more discretion to set royalty terms which will adjust automatically changing market conditions.

- **Eliminating redundant reporting requirements with regard to oil spills.** MMS will no long require the reporting of spills of less than one barrel. Instead, MMS has arranged to have t Coast Guard forward reports of spills less than one barrel. MMS will now only require lessees notify the agency directly for spills of one barrel or more—thereby reducing the reporting burd to both MMS and industry by 95%.

- **Developing cooperative efforts with states, local governments, and others to address OC related issues.**

  - MMS devised a multi-constituent effort to develop an approach to implementing financ responsibility requirements for "offshore facilities" under Section 1016(c)(1) of the Oil Pollution Act of 1990. MMS then incorporated many of these recommendations into th financial responsibility amendments passed by the 104th Congress in 1996 (P.L. 104-3

  - The OCS 5-Year Oil and Natural Gas Program for 1997-2002 incorporates recommendati from an Alaska Regional Stakeholders Task Force. MMS will implement the program in consultation with the Alaska OCS Region Offshore Advisory Committee. MMS establish the committee to plan each of the new program's proposed Alaska sales.

  - The Pacific OCS Region is working with state and local agencies and industry to study onshore constraints to offshore development. This study will help plan for the possible development of the 40 undeveloped existing leases in the region.

  - In 1996, MMS, the Department of Energy, the Gas Research Institute, and the University Texas Bureau of Economic Geology completed an atlas series on Gulf of Mexico offsho natural gas and oil fields. The database includes a wide variety of information on more th 1,100 fields and 22,000 reservoirs. Those interested can access the database through t MMS Internet Home Page.

Future OMM Challenges and Opportunities

- **Increased deep water Gulf of Mexico exploration/development.** A variety of factors—better technology, new discoveries in deep water, and the passage of the Deep Water Royalty Relief Act—have lead to a renewed interest in the deep water areas of the Gulf, especially in water depths greater than 800 meters (2,625 feet). As industry moves into deeper and deeper waters, MMS must be prepared to meet the new challenges of managing and regulating exploration and development activities in these frontier areas. The agency will be working to improve the regulatory framework to address the many technical, safety, and environmental challenges associated with complex deep water developments.

- **Managing increased OCS lease monitoring responsibilities.** MMS expects its lease responsibilities to increase substantially in the near future due to—

  - A strong resurgence of interest in the Gulf of Mexico.

  - A doubling of OCS natural gas and oil operators over the past 12 years as many large oil companies have assigned producing properties to smaller operators .

  - An increase in drilling activity which has led to a rebound in new well starts and new platform installations; and

  - An increasing number of production facilities reaching or exceeding their originally expected productive lives and having to be removed in coming years.

- **Implementing MMS responsibilities under the Oil Pollution Act of 1990 (OPA-90):** MMS was assigned two major responsibilities after passage of OPA-90—financial responsibility certification and oil spill prevention and response planning for "offshore facilities" located in ***both*** Federal and State waters. To carry out these responsibilities, MMS has worked and will continue to work closely with relevant Federal and state agencies to ensure that the spirit of the law is met without imposing unnecessary or duplicative regulations on offshore operators.

How to Reach Us—

MMS activities provide major economic and enery benefits to taxpayers, States, the Indian community, and to the United States government—benefits that have both national and local significance. We at MMS are dedicated to prudent environmental stewardship of the Nation's OCS resources and to sound financial management of Federal and Indian mineral revenues. Since our creation, we have made great progress; however, this progress is a beginning, not an end. MMS will continue to strive for excellence. We actively solicit your comments and recommendations. For more information please contact our—

MMS website address: http://www.mms.gov

or

MMS 24-hr fax-on-demand service: (202) 219-1703

or

MMS Communications Offices:

Washington, DC National Office: (202) 208-3985

Alaska OCS Region: 1-800-764-2627

Gulf of Mexico OCS Region: 1-800-200-GULF

Pacific OCS Region: 1-800-446-PACS

Royalty Management: (303) 231-3162

The Department of the Interior Mission

As the Nation's prinicpal conservation agency, the Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. This includes fostering sound use of our land and water resources; protecting our fish, wil life, and biological diversity; preserving the environmental and cultural values of our national parks and historical places; and providing for the enjoyment of life through outdoor recreation. The Department assesses our energy and mineral resources and works to ensure that their development is in the best interest of all our people by encouraging stewardship and citizen participation in their care. The Department also ha major responsibility for American Indian reservation communities and for people who in island territories under U.S. administration.

The Minerals Management Service

As a bureau of the Department of the Interior, the Minerals Management Service's (MMS) primary responsibilities are to manage the mineral resources located on the Nation's Outer Continental Shelf (OCS), collect revenue from the Federal OCS and onshore Federal and Indian lands, and distribute those revenues.

Moreover, in working to meet its responsibilities, the Offshore Minerals Management Program administers the OCS competitive leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore natural ga oil and other mineral resources. The MMS Royalty Management Program meets its responsibilities by ensuring the efficient, timely, and accurate collection and disbursement of revenue from mineral leasing and production due to Indian tribes and allottee States, and the U.S. Treasury.

The MMS strives to fulfill its responsibilities through the general guiding principles of: (1) being responsive to the public's concerns and interests by maintaining a dialogue with all potentially affected parties, and (2) carrying out its programs with an emphas on working to enhance the quality of life for all Americans by lending MMS assistanc and expertise to economic development and environmental protection.